

**Written Submission to the US Department of Agriculture's Foreign Agricultural Service's, "Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products."
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- Description of our engagement with Better Work from Gap Inc. SR Report
- Also see www.gapinc.com/socialresponsibility for more information about our work

Oral Statement:

Good morning. My name is Darryl Knudsen, and I am Gap Inc.'s Director of Public Policy and Stakeholder Engagement, working as part of our Global Responsibility department. I am honored to be participating in this discussion on such an important topic. Thank you to the chair for convening this opportunity for public comment, and to the members of this consultative group for your service. I'd like to extend a personal "Hello" to those of you I've worked with for many years, as well as to those of you I've met more recently.

First, let me state our clear position that under no circumstances is it acceptable for child, forced or trafficked labor to be used in the production of any Gap Inc. product. We believe that having a robust and thorough program to prevent, identify and remediate labor rights violations is important. We've been working on our program for more than 15 years and while we're neither perfect nor alone in doing this work, we believe more companies and industries should be doing it, too.

There are three core areas of scope of our efforts.

First, there are the actions we are taking ourselves to drive progress within our direct supply chain. Before any factory can manufacture apparel designed or branded by Gap Inc., it must undergo evaluation against our standards and be approved by our Social and Environmental Responsibility Department. Our team of nearly 80 employees around the world conducts regular announced and unannounced visits to the factories that make our products and works to root out and address areas of concern. In 2009, our team conducted 2339 inspections of 1445 facilities worldwide. Despite our rigorous approval process and preference to work with existing suppliers toward improvement, in 2009 we found it necessary to revoke the right of 24 factories globally to produce apparel for Gap Inc.

Gap Inc.

Because of the complexity of our supply chain we know that our standards will not always be upheld. This brings me to the second pillar of our program, which is working together with others to amplify our efforts within our direct supply chain. Collaboration with relevant stakeholders enables us to pool our collective expertise, resources and influence to drive the progress we want to see. For us at Gap Inc. that means working closely with human rights NGOs, other retail companies, trade unions, multi-stakeholder initiatives, suppliers and industry associations, international organizations and when appropriate, directly with governments around the world. It is worth noting that we believe the Better Work model is the gold standard on a number of levels in this regard and should be closely examined by this committee for best practices and possible replication. Gap Inc. has worked closely with Deputy Undersecretary Polaski and many others for nearly a decade to build Better Factories Cambodia and nurture it into the Better Work program that is now extending its global reach.

The third pillar of our program is to work with others to create an enabling environment for workers' rights beyond our direct supply chain. We know our suppliers do not exist in a vacuum. They exist in a context. This context includes standard industry practices, cultural norms, and too often an insufficient rule of law – whether for reasons of lack of capacity or lack of political will for enforcement. When the government cannot or will not enforce, this context also too often includes an insufficiently robust civil society to hold government and industry to account. For these reasons we also support efforts to strengthen the enabling environment for people to enjoy the universal human rights that they indisputably have.

There are three examples of our work on forced, child and trafficked labor that I would like to highlight briefly here. A fuller accounting of these examples and of our programs and policies is available in the written statements I have provided.

First, I would like to highlight the contract labor requirements provisions of our Code of Vendor Conduct. To my knowledge, Gap Inc. was the first and remains one of the few companies to have such rigorous requirements, which we implemented ten years ago. Migrant workers – whether cross-border or internal – represent a particularly at-risk population. Our approach emphasizes vendor responsibility and accountability for ensuring that foreign contract workers (a) first receive full disclosure and then sign employment contracts in their home countries; and (b) can return home for any reason and at any time without fear of reprisal and without extraordinary debt.” More detail about our policy and approach is available in my written submission.

Second, I would like to highlight our approach to handwork in India. To address the diffuse nature of the supply chain in handwork in India, we have put into place a suite of policies, procedures and programs. . A key enhancement in recent years is the limitation we've placed on the tiers of subcontracting allowed. We have also developed IT database solutions to track the location of handwork production each time that it is subcontracted by vendors. All this provides increased visibility to where work is being done. We are also actively working with coalitions like the United Nations' Global Initiative to Fight Trafficking; the Brand Ethics Working Group; the 'End Human Trafficking Now' initiative; BBA, which is connected with the Global March to End Child Labor; and the Suzanne Mubarak International Women's Peace Movement.

Third, I would like to highlight the plight of children in Uzbekistan. As a company, we've been very concerned by reports of children working in Uzbek cotton fields. In 2008, we took measures to exclude Uzbek cotton from our merchandise and notified our vendors and mills that the use of Uzbek cotton is

prohibited in the production of our merchandise. In 2009, we took our commitment a step further and began implementing a pilot tracking program to trace the source of raw materials. We will continue to implement measures that enable us to find and exclude the use of Uzbek cotton in our brands' products. To further encourage the Uzbek government to change its practices, Gap Inc. has worked as part of a broad coalition to engage on this issue with the United States Departments of State and Labor and directly with the Uzbek Government.

I look forward to your questions and thank you for the opportunity to speak about this important issue to such an esteemed and dedicated panel of professionals.

Additional written submission

Introduction:

- Under no circumstances is it acceptable for child, forced or trafficked labor to be used in the production of any Gap Inc. product. We believe no person should be subject to a situation where basic needs and fundamental rights are denied. Finding and quickly addressing violations of this is part of our commitment to doing what's right.
- We have an extensive proactive program in place that seeks to prevent, identify and remediate instances of labor rights violations within our apparel supply chain, including child labor and forced labor. However, given the complexity of our supply chain, we recognize that our standards are not consistently upheld 100 percent. We are transparent about where problems exist and report on them on our social responsibility website found at gapinc.com/social-responsibility.

Gap Inc.'s overall approach:

- We believe that a holistic approach to improving labor standards in our supply chain is necessary for long-term change.
- This means being committed to working together with government, other brands, vendors industry, labor and human rights stakeholders as well as engaging with the local communities where we source to bring about an end to these practices.
- We've found that multi-stakeholder partnerships is one of the best ways to help resolve violations that are difficult to find and address on our own.
- Core pillars of our approach include
 - Monitoring and remediation to prevent, identify and remediate issues
 - Collaboration with labor rights stakeholders
 - Capacity building of supplier management
 - Multi-stakeholder and industry-wide efforts
 - Public policy interventions, when appropriate and helpful
- It is worth noting that we believe the Better Work model is the gold standard and should be closely examined by this committee for best practices and replication where possible and applicable. Gap Inc. has worked closely with Deputy Undersecretary Polaski and many others for nearly a decade to

build Better Factories Cambodia and nurture it into the Better Work program that is now extending its global reach.

- Human trafficking, in particular, is a hugely complex, global problem and something that we can't solve alone. It requires the involvement of others in our industry, governments, enforcement agencies, multilateral organizations, and NGOs – to address the root issues and create long term solutions.
- For example, handwork in India is often done in the large, informal sector of the economy, which has historically been difficult to monitor effectively. We believe it makes sense to address this from various angles.
- One is to take a bottom's up approach and support education initiatives in India that raise awareness of how traffickers work to potential victims, as well as the world at large. These programs have been a win-win for all actors by increasing empowerment, education, transparency, and efficiency. One of these programs, led by a local NGO, BBA, has demonstrated the effectiveness of educating parents in high-risk villages in preventing children from becoming victims.

More directly, we have programs and strict, clear standards in place to prevent, identify and remediate:

- Any vendors producing Gap Inc. branded apparel are required to operate in compliance with local law and our stringent Code of Vendor Conduct (COVC). Our team of 80 employees around the world conducts regular announced and unannounced visits to the factories that make our products and works to root out and address areas of concern. In 2009, our team conducted 2339 inspections of 1445 facilities worldwide.
- Before any factory can manufacture apparel designed or branded by Gap Inc., it must undergo our evaluation against the standards outlined in our Code and be approved by our social responsibility department. Our code strictly prohibits child, forced or trafficked labor and includes a prohibition against unauthorized outsourcing and subcontracting, as well as requirements related to proper management and oversight of workplace and environmental conduct.
- When we do find violations, our practice is to first work with the factory to address the violations and improve their management systems. When consistent violations occur, however, we have and will sever ties with factories that don't meet our code standards. In 2009, our social responsibility team revoked the right of 24 factories globally to produce apparel for Gap Inc.

Stricter measures in high-risk areas

- We have also put in place specific measures to address the areas of our supply chain that are at highest risk, including additional policies, due diligence and enforcement processes and capacity building programs

Contract labor requirements

- Details of our Code of Vendor Conduct are attached as addendums in my written submission. Our policies on trafficked labor include strict and detailed addendum covering Contract Labor Requirements, which may be of particular interest to this panel as labor recruitment and cross-border migration is not only a high-risk area in apparel production, but also in many agricultural

industries. To our knowledge, Gap Inc. was the first and remains one of the few companies to have such rigorous requirements.

- The CLR provision is attached in full in my written submission; however I will quote from it: “With respect to the Contract Labor Requirements (“CLR”), the overall model contemplates vendor responsibility and accountability for ensuring that foreign contract workers (a) first receive full disclosure and then sign employment contracts in their home countries; and (b) can return home for any reason and at any time without fear of reprisal and without extraordinary debt.”

Handwork in India

- To address the diffuse nature of the supply chain in handwork in India, we put into place a suite of programs that include policies; monitoring, remediation and enforcement procedures; collaboration with partners on the ground and at international levels; and direct grass-roots outreach and education work.
- We have and will continue to work to ensure greater visibility and transparency in our supply chain with a more disciplined focus on the subcontracting process.
- A key enhancement in recent years is the limitation we’ve placed on the tiers of subcontracting allowed. This provides increased visibility to where work is being done.
- We have also developed IT database solutions to collect information about all subcontractors and suppliers. The system tracks the location of handwork production each time that it is subcontracted by vendors.
- As noted above, given the complex issues that underlie human trafficking, we have found that partnering with human and labor rights groups is a critical component of our own work to combat this in our supply chain.
- We are actively working with coalitions like the United Nations’ Global Initiative to Fight Trafficking, the Brand Ethics Working Group, the ‘End Human Trafficking Now’ initiative, BBA, which is connected with the Global March to End Child Labor, and the Suzanne Mubarak International Women’s Peace Movement.
- Using our influence we are bringing new approaches to how our work flows from vendors to handworkers and working with other stakeholders.

Example of the MEVAT Program

- For example, we are working on a program in one of the large “embroidery belt” communities in Mevat, India.
- As noted previously, there is a very large informal economy in India where most of the handwork (embroidery and beadwork) is done and which inevitably connects into our supply chain. This is an important source of income in poorer areas, especially for women who may not otherwise be able to find productive, sustaining work.
- Historically, it has been difficult to track the ways handwork is subcontracted out to vendors.

- We were able to bring together a coalition of actors from government, NGOs, and suppliers that don't typically come together to pilot a new approach to managing handwork. This included support from the Indian government, two suppliers, a training institute and perhaps most importantly, a local NGO that has credibility with the local Mevat community.
- How the Mevat pilot program works:
 - This program targets 20,000 women who are involved in the garment industry, specifically in handwork production.
 - The management of work is handled by the Society for the Promotion of Youth & Masses (SPYM) and the women are paid fair wages based on the type of work. Wages increase as their technical sophistication levels increases.
 - Working with Gap, SPYM was able to partner with the Pearl Academy of Fashion to further develop the workers' skills and training.
 - As part of the program, women come to community centers and can either take the work home or work at the center together – this gives women the flexibility to work reasonable hours, and ensure they are paid fair wages.
 - This also increases efficiency for suppliers: because work is brought to one location, there is far more efficiency and helps to reduce costs
 - And most importantly it provides transparency to how the work is being done and that workers are being treated fairly.
- The Mevat program has been a win-win for all involved – bringing increased empowerment, education, transparency, and efficiency. It is a virtuous cycle for all the players involved.

Uzbek Cotton:

- Our approach to the issue of Uzbek cotton may also be of interest to the panel.
- As a company, we've been very concerned by reports of children working in Uzbek cotton fields. In 2008, we took measures to exclude Uzbek cotton from our merchandise and notified our vendors and mills that the use of Uzbek cotton is prohibited in the production of our merchandise. In 2009, we took our commitment a step further and began implementing a pilot tracking program to trace the source of raw materials, and we will continue to implement measures that enable us to find and exclude the use of Uzbek cotton in our brands' products.
- To encourage the Uzbek government to change its practices, Gap Inc. has also been working with a rapidly growing coalition of other organizations and groups, including: the International Labor Rights Forum (ILRF); As You Sow; Center for Reflection, Education and Action (CREA); the Interfaith Center on Corporate Responsibility (ICCR); Calvert Investments, the Environmental Justice Foundation; other brands; and investor organizations. Along with this coalition, we've also engaged on this issue with the United Departments of Labor and State, and directly with the Uzbek Government.

- You can find more information on our approach to this in the addendum below and under the Supply Chain section on our social responsibility website at:
www.gapinc.com/socialresponsibility.

Gap Inc. would like to thank the consultative group for the opportunity to share our experiences on these important issues with such an esteemed and dedicated panel of professionals. We hope that it can help the Consultative Group in its work toward the elimination of all forms of child, forced and trafficked labor.

Code of Vendor Conduct

This Code of Vendor Conduct applies to all factories that produce goods for Gap Inc. or any of its subsidiaries, divisions, affiliates or agents.

While Gap Inc. recognizes that there are different legal and cultural environments in which factories operate throughout the world, this Code sets forth the basic requirements that all factories must meet in order to do business with Gap Inc. This Code is based on internationally accepted labor standards, including the International Labour Organization (ILO)'s core conventions and the Universal Declaration of Human Rights. The Code provides the foundation for Gap Inc.'s ongoing evaluation of a factory's employment practices and environmental compliance.



BANANA REPUBLIC OLD NAVY





I. Compliance with Laws

Factories that produce goods for Gap Inc. shall operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations.

- A. The factory operates in full compliance with all applicable laws, rules and regulations, including those relating to labor, worker health and safety, and the environment.
- B. The factory allows Gap Inc. and/or any of its representatives or agents unrestricted access to its facilities and to all relevant records at all times, whether or not notice is provided in advance.

II. Environment

Factories shall comply with all applicable environmental laws and regulations. Where such requirements are less stringent than Gap Inc.'s own, factories are strongly encouraged to meet the standards outlined in Gap Inc.'s statement of environmental principles attached hereto as an addendum.

- A. The factory has an environmental management system (EMS).
- B. The factory has an environmental emergency plan (EEP) that includes procedures for notifying local community authorities in case of accidental discharge or release or any other environmental emergency.
- C. The factory stores hazardous and combustible materials in secure and ventilated areas and disposes of them in a safe and legal manner.

II

III

III. Labor

A. Child Labor

Factories shall employ only workers who meet the applicable minimum legal age requirement or are at least 15 years of age, whichever is greater. Factories must also comply with all other applicable child labor laws. Factories are encouraged to develop lawful workplace apprenticeship programs for the educational benefit of their workers, provided that all participants meet both Gap Inc.'s minimum age standard of 15 and the minimum legal age requirement.

1. Every worker employed by the factory is at least 15 years of age and meets the applicable minimum legal age requirement.¹ If the minimum legal age is higher under local law, the higher age applies.
2. The factory complies with all applicable child labor laws, including those related to hiring, wages, hours worked, overtime and working conditions.
3. The factory encourages and allows eligible workers, especially younger workers, to attend night classes and participate in work-study programs and other government-sponsored educational programs.
4. The factory maintains official documentation for every worker that verifies the worker's date of birth. In those countries where official documents are not available to confirm exact date of birth, the factory confirms age using an appropriate and reliable assessment method.

B. Contract Labor Requirements (if applicable)

Factories that recruit or employ foreign contract workers shall ensure that these workers are treated fairly and on an equal basis with its local workers.

1. Factories that recruit or employ foreign contract workers must comply with the provisions of Gap Inc.'s Contract Labor Requirements attached hereto as an addendum.

C. Discrimination

Factories shall employ workers on the basis of their ability to do the job, not on the basis of their personal characteristics or beliefs.

1. The factory hires, employs, promotes, terminates, and provides access to training and retirement to workers without regard to race, color, gender, nationality, religion, age, maternity, marital status, indigenous status, social origin, disability, sexual orientation, membership in workers' organizations including unions, or political affiliation.
2. The factory pays workers wages and provides benefits without regard to race, color, gender, nationality, religion, age, maternity, marital status, indigenous status, social origin, disability, sexual orientation, membership in workers' organizations including unions, or political affiliation.

[1] Notwithstanding the minimum age requirement of 15 years, if a country's minimum age has been set at 14 in compliance with ILO Convention 138, that minimum age shall apply. A list of countries that have applied to the ILO for an exemption according to ILO Convention 138 is available at www.gapinc.com/socialresponsibility.

III. Labor (continued)

D. Forced Labor

Factories shall not use any prison, indentured or forced labor.

1. The factory does not use involuntary labor of any kind, including prison labor, debt bondage or forced labor by governments.

E. Freedom of Association and the Right to Collective Bargaining

Workers are free to join associations of their own choosing. Factories shall not interfere with workers who wish to lawfully and peacefully associate, organize or bargain collectively. The decision whether or not to do so should be made solely by the workers.

1. Workers are free to choose whether or not to lawfully organize and join associations. If freedom of association and/or the right to collective bargaining are restricted by law, workers shall be free to develop parallel means for independent and free association and collective bargaining.
2. The factory does not threaten, penalize, restrict or interfere with workers' lawful efforts to join associations of their choosing or to bargain collectively.

F. Humane Treatment

Factories shall treat all workers with respect and dignity. Factories shall not use corporal punishment or any other form of physical or psychological coercion.

1. The factory does not engage in or permit physical acts to punish or coerce workers.
2. The factory does not engage in or permit psychological coercion or any other form of non-physical abuse, including threats of violence, sexual harassment, screaming or other verbal abuse.

G. Wages & Benefits

Factories shall pay wages and overtime premiums in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. Factories are encouraged to provide wages and benefits that are sufficient to cover workers' basic needs and some discretionary income.

1. Workers are paid at least the minimum legal wage or the local industry standard, whichever is greater.
2. The factory pays overtime and any incentive (or piece) rates that meet all legal requirements or the local industry standard, whichever is greater. Hourly wage rates for overtime must be higher than the rates for the regular work shift.
3. The factory provides paid annual leave and holidays as required by law or which meet the local industry standard, whichever is greater.
4. For each pay period, the factory provides workers an understandable wage statement which includes days worked, wage or piece rate earned per day, hours of overtime at each specified rate, bonuses, allowances and legal or contractual deductions.
5. The factory shall not modify or terminate workers' contracts for the sole purpose of avoiding the provision of benefits.

H. Working Hours

Factories shall set working hours in compliance with all applicable laws. While it is understood that overtime is often required in garment production, factories shall carry out operations in ways that limit overtime to a level that ensures humane and productive working conditions.

1. The factory complies with all applicable laws, regulations and industry standards on working hours. Except in extraordinary business circumstances, the maximum allowable working hours in any week shall be the lesser of **a) what is permitted by national law, or b) a regular work week of 48 hours plus overtime hours not in excess of 12 hours.**
2. Workers may refuse overtime without any threat of penalty, punishment or dismissal.
3. Workers shall have at least one day off in seven.

IV

IV. Working Conditions

A. Occupational Health and Safety

Factories shall comply with all applicable laws and regulations regarding working conditions and shall provide workers with a safe and healthy environment.

1. The factory complies with all applicable laws regarding working conditions, including worker health and safety, sanitation, fire safety, risk protection, and electrical, mechanical and structural safety.
2. Work surface lighting in production areas—such as sewing, knitting, pressing and cutting—is sufficient for the safe performance of production activities.
3. The factory is well ventilated. There are windows, fans, air conditioners or heaters in all work areas for adequate circulation, ventilation and temperature control.
4. There are sufficient, clearly marked exits allowing for the orderly evacuation of workers in case of fire or other emergencies. Emergency exit routes are posted and clearly marked in all sections of the factory.
5. Aisles, exits and stairwells are kept clear at all times of work in process, finished garments, bolts of fabric, boxes and all other objects that could obstruct the orderly evacuation of workers in case of fire or other emergencies. The factory indicates with a “yellow box” or other markings that the areas in front of exits, fire fighting equipment, control panels and potential fire sources are to be kept clear.
6. Doors and other exits are kept accessible and unlocked during all working hours for orderly evacuation in case of fire or other emergencies. All main exit doors open to the outside.
7. Fire extinguishers are appropriate to the types of possible fires in the various areas of the factory, are regularly maintained and charged, display the date of their last inspection, and are mounted on walls and columns throughout the factory so they are visible and accessible to workers in all areas.
8. Fire alarms are on each floor and emergency lights are placed above exits and on stairwells.
9. Evacuation drills are conducted at least annually.
10. Machinery is equipped with operational safety devices and is inspected and serviced on a regular basis.
11. Appropriate personal protective equipment—such as masks, gloves, goggles, ear plugs and rubber boots—is made available at no cost to all workers and instruction in its use is provided.
12. The factory provides potable water for all workers and allows reasonable access to it throughout the working day.
13. The factory places at least one well-stocked first aid kit on every factory floor and trains specific staff in basic first aid. The factory has procedures for dealing with serious injuries that require medical treatment outside the factory.
14. The factory maintains throughout working hours clean and sanitary toilet areas and places no unreasonable restrictions on their use.

IV. Working Conditions (continued)

B. Dormitory (if applicable)

Factories that provide housing for workers shall keep these facilities clean and safe.

1. Dormitory facilities meet all applicable laws and regulations related to health and safety, including fire safety, sanitation, risk protection, and electrical, mechanical and structural safety.
2. Sleeping quarters are segregated by sex.
3. The living space per worker in the sleeping quarters meets both the minimum legal requirement and the local industry standard.
4. Workers are provided their own individual mats or beds.
5. Dormitory facilities are well ventilated. There are windows to the outside or fans and/or air conditioners and/or heaters in all sleeping areas for adequate circulation, ventilation and temperature control.
6. Workers are provided their own storage space for their clothes and personal possessions.
7. There are at least two clearly marked exits on each floor, and emergency lighting is installed in halls, stairwells and above each exit.
8. Halls and exits are kept clear of obstructions for safe and rapid evacuation in case of fire or other emergencies.
9. Directions for evacuation in case of fire or other emergencies are posted in all sleeping quarters.
10. Fire extinguishers are placed in or accessible to all sleeping quarters.
11. Hazardous and combustible materials used in the production process are not stored in the dormitory or in buildings connected to sleeping quarters.
12. Fire drills are conducted at least every six months.
13. Sleeping quarters have adequate lighting.
14. Sufficient toilets and showers or mandis are segregated by sex and provided in safe, sanitary, accessible and private areas.
15. Potable water or facilities to boil water are available to dormitory residents.
16. Dormitory residents are free to come and go during their off-hours under reasonable limitations imposed for their safety and comfort.

Monitoring, Enforcement & Compliance Management

As a condition of doing business with Gap Inc., each and every factory must comply with this Code of Vendor Conduct. Gap Inc. will continue to develop monitoring systems to assess and ensure compliance.

If Gap Inc. determines that any factory has violated this Code, Gap Inc. may at its discretion either terminate its business relationship and/or require the factory to implement a corrective action plan. If corrective action is advised but not taken, Gap Inc. will suspend placement of future orders and may terminate current production.

Gap Inc. strongly encourages factories to define and implement a policy for social accountability and to adopt or establish a management system to ensure that the requirements of the Code of Vendor Conduct can be met in a consistent way.



BANANA REPUBLIC

OLD NAVY

III. B. Contract Labor Requirements

With respect to the following Contract Labor Requirements (“CLR”), the overall model contemplates vendor responsibility and accountability for ensuring that foreign contract workers¹ (a) first receive full disclosure and then sign employment contracts in their home countries; and (b) can return home for any reason and at any time without fear of reprisal and without extraordinary debt.

Vendors that recruit or employ foreign contract workers must comply with all of the following provisions of the CLR except to the extent any term is expressly prohibited by law:

01. **Employee Contract in Home Country:** The vendor will be responsible for ensuring that each applicant receives a contract for employment (“Employment Contract”) in his or her home country. The vendor must thereafter execute the Employment Contract with each worker in the worker’s home country. (This requirement applies to all workers hired after March 1, 2001). The vendor may not impose any additional terms or requirements on the worker after the Employment Contract is signed unless expressly required by law.
02. **Employment Contract Terms:** The Employment Contract must be in the local language of the worker and must specify, among other things:
 - (a) Term (duration) of the contract;
 - (b) Minimum and overtime wage rates to be paid;
 - (c) Maximum allowable overtime hours consistent with the laws of the host country and Gap Code (no more than 60 hours/week on regularly scheduled basis);
 - (d) All benefits to be provided (including medical coverage, sick leave, annual leave and holidays);
 - (e) All deductions to be taken (including charges for food and housing);
 - (f) Estimated minimum net pay that the worker can expect to receive per month;
 - (g) Recruitment fee restrictions (if imposed by applicable host or home country laws); and
 - (h) Summary of the living conditions, including any curfews.

The Employment Contract will also set forth the substance of Sections 3, 6, 7, 8 and 9 of the CLR as well as the amount of the Return Fee (see Section 6 below) to be refunded to any worker who paid any recruitment fees to obtain employment and who returns to his/her home country without completing the contractual term, regardless of reason. Recruitment Fees are to be defined broadly to include all administrative and processing fees and any other amounts paid to secure employment in the home country.

03. **Host Country Fees:** The vendor must pay all host country fees and costs, including any levies, renewal fees or other costs associated with the use of foreign labor (per the Gap Code of Vendor Conduct). The vendor must also reimburse any host country fees paid by existing workers.
04. **Recruitment Agency Fees:** The vendor must take all reasonable steps necessary to ensure that it does business with reputable recruitment agencies which do not charge workers fees in excess of what is legally permitted by any applicable law of the host or home country. The vendor must also have a written agreement with the agency(ies) expressly requiring that total fees paid by the worker must not exceed any such legal limits. Wherever possible, the vendor should avoid using recruitment agencies altogether and instead either transfer existing workers from the vendors’ home country facilities or hire workers directly.

[1] Foreign contract workers – workers who sign an employment contract to work at a factory outside their home country.

- o5. **Vendor Fees and Deductions:** The vendor (including its employees and representatives) must not accept any reimbursements, kickbacks or other amounts from any recruitment agency or other person involved in the recruiting process. The vendor also must not charge back or accept reimbursement from any foreign contract worker to recover any fees paid by the vendor in the recruitment or hiring of said worker.
- o6. **Return Fee:** For all foreign contract workers hired after March 1, 2001, the vendor must pay all transportation costs from the home to host country. For any foreign contract worker (regardless of date of hire) who wishes to leave the factory FOR ANY REASON AND AT ANY TIME and elects to return to his/her home country after March 1, 2001, the vendor must arrange and pay for the worker's airfare and/or other reasonable transportation costs home. In addition, the vendor must pay to the worker a "Return Fee" (as defined below), in addition to any wages, benefits or other amounts due and owing to the worker. All of these sums must be paid to the worker contemporaneously with his or her return to the home country. The only exception to the requirement to pay a Return Fee will be where a vendor can demonstrate that the worker was hired without the use or involvement of, or payment to, any third party recruiter.)

The Return Fee will equal the estimated average recruitment fees incurred by workers in their home country (as determined from time to time by Gap in consultation with workers, vendors, local NGOs and government authorities as appropriate), less a pro rata portion based on the actual duration of stay vs. the contractual term. For example, if the estimated average recruitment fees incurred by any worker from Country A to secure employment in Country B are \$2,000, such a worker who entered into a two year contract but decided to return home after 6 months would receive a Return Fee of \$1,500 (\$2,000 – 6/24 mos).
- o7. **Control of Passport:** The vendor must allow the worker full control over his or her passport and similar documentation and must provide the worker with a locked and secure storage space in which to keep this documentation. The worker may choose to allow the factory to keep his/her passport but this must be in writing and must not be a condition of employment.
- o8. **Control of Earnings:** The vendor must allow workers full and complete control over the monies they earn (as required in Gap's Code) and must not withhold any "guarantee money" or recruitment fee sums from pay otherwise due to foreign contract workers.
- o9. **Same Minimum Wage:** The vendor must pay the same minimum wage to foreign contract workers in the same job category as local workers.
10. **Provision of Worker Lists:** The vendor must make available to Gap or its representatives upon request current lists of all foreign contract workers employed at each facility, including the date of arrival, contract term, and anticipated date of return.

Uzbek Cotton

Gap Inc. 2007-2008 Social Responsibility Report

Goals and progress

Supply chain | Our program in action

http://www.gapinc.com/GapIncSubSites/csr/Goals/SupplyChain/Program/SC_Uzbek_Cotton_Program.shtmlⁱ



Uzbek cotton

Location: Uzbekistan

Summary: Factories are often the focus of human rights issues — but we’re also beginning to look deeper into the supply chain. In Uzbekistan, we’re collaborating with human rights groups and other brands to address the use of child labor to harvest cotton.

There is growing momentum to curb the Government of Uzbekistan’s practice of orchestrating the use of children to manually harvest cotton. The use of child labor is absolutely unacceptable to Gap Inc. anywhere in our supply chain. For the immediate term, we have made it clear to our vendors and mills that we expect them to avoid knowingly sourcing textiles from mills that source cotton from Uzbekistan. Over the longer term, we’re committed to addressing this issue and believe that our sourcing practices, together with our participation in collective action with other stakeholders to influence the Uzbek government, will enable us to have a greater positive impact.

The use of child labor to harvest cotton is driven by diverse and deeply-ingrained forces in Uzbekistan, including: the historical legacy of compulsory labor mobilization for the cotton harvest; a “command economy” in the cotton sector, which gives the government control over what farmers plant, what inputs they use, what national production quotas they fill, and where they sell their crops; the repression of journalists and advocates who speak out on this issue; and the ease and profitability of mobilizing underage workers.

Along with other members of the growing coalition working toward change, we believe that the Government of Uzbekistan has the power to resolve the problem if it so chooses. In 2008, the Uzbek government ratified the ILO Minimum Age Convention (C138) and the Worst Forms of

Child Labor Convention (C182), and issued a draft national action plan to combat child labor. While these commitments are important steps, the Uzbek government has not yet demonstrated meaningful and credible action toward eradicating the problem.

To encourage the Uzbek government to evolve its practices, we are working with a rapidly growing coalition of other organizations and groups, including: the International Labor Rights Forum (ILRF); As You Sow; Center for Reflection, Education and Action (CREA); the Interfaith Center on Corporate Responsibility (ICCR); Calvert Investments, the Environmental Justice Foundation; other brands; and investor organizations. These partnerships help ensure that we are aligning our approach and making the most of the collective influence and expertise that others can bring to bear.

Our current prohibition of the use of textiles made with cotton from Uzbekistan is an important element of Gap Inc.'s efforts to support this broader strategy for change. We're working with a supply chain traceability expert, [Historic Futures](#), to explore tools that will help to ensure that this prohibition is respected.

Gap Inc., together with other coalition members, recently met with the Uzbek ambassador to the United States to voice our concerns and explore solutions directly. To continue building momentum, we have been sharing our experience and efforts with others interested in learning more about this issue so they can take action themselves. Feedback has indicated that the coalition's efforts are making a difference with the Uzbek government. However, there is still much to be done.

Despite our level of commitment, addressing the use of child labor at the farm level is challenging for us and other retailers. Gap Inc.'s primary compliance expertise is in working with our direct suppliers — the factories that make our clothes — to ensure fair treatment of workers. It is more difficult for us to identify a raw material's point of origin because it occurs at the most remote point of our supply chain. We're currently working to launch a pilot tracking system that will increase our visibility into the country point of origin for raw materials.

ILO/IFC better work program

Gap Inc. 2007-2008 Social Responsibility Report

Goals and progress

Supply chain | Our program in action

http://www.gapinc.com/GapIncSubSites/csr/Goals/SupplyChain/Program/SC_Better_Work_Program_Program.shtml



ILO/IFC better work program

Location: Cambodia, Vietnam

Summary: In Cambodia and Vietnam, we're joining forces with a unique international program and other brands to improve working conditions in garment factories.

Gap Inc. supports the Better Work programs that are a joint effort of the International Labor Organization (ILO) and International Finance Corporation (IFC). This voluntary, industry-based initiative seeks to strengthen relationships between international buyers, local enterprises, governments and worker organizations to improve working conditions and competitiveness.

In Cambodia, the Better Factories program aims to improve working conditions in the country's export garment factories. The program is an effective mix of independent monitoring together with recommended solutions, training and information.

In June 2008, the ILO assumed full responsibility for monitoring all Gap Inc.-approved garment factories in Cambodia. Its third-party monitoring enables us to focus our work with factory management on capacity building — helping factories to better address their problems and develop their own systems to improve working conditions.

We're also working toward a more unified monitoring system for all industry brands under the ILO/IFC Better Work programs. We believe that this industry-wide collaboration will take factory improvements further, reducing duplication and redirecting resources to the critical work of capacity building. What's more, joining forces with other brands makes better use of resources and supports sustainable factory improvements.

In 2008, we conducted three workshops that involved approximately 75 percent of our Cambodia suppliers. Our goal: to help them move from monitoring alone to developing internal systems that address the causes of poor working conditions.

Given Gap Inc.'s size and presence in Cambodia, we believe that our participation in the program is vital to its long-term success. We support the program because it includes all exporting garment factories, represents the common interests of all stakeholders, and is a transparent, verifiable and credible tool for making wise sourcing decisions.

In October 2008, the ILO/IFC Better Work program was launched in Vietnam, with Gap Inc. as one of its key supporters. We're also a member of the Experts Group, which provides feedback and direction on the program's tools and implementation strategy.

Better Work Vietnam is the largest of the country programs developed by the ILO/IFC Better Work global program. In addition to pursuing the fundamental aims of the ILO/IFC Better Work program, the Vietnam program aims to enhance factory performance and market access, create a more cost-effective process for labor and compliance and help the government improve overall labor standards and economic development.

Going forward, we support plans to expand the ILO/IFC Better Work program into more countries, including Haiti, Jordan and Indonesia.
